REXALL Snyder DRUGS

Foodtown

RED OWL®

Annual Report

RED OWL STORES, INC. / FOR YEAR ENDED JAN. 25, 1969

Typical ads showing "Price Rebellion" promotions

CONTENTS:

The annual shareholders' meeting will be held on June 3, 1969, at ten o'clock in the forenoon.

Highlights:

	Fiscal Year Ended Jan. 25, 1969 (52 weeks)	Fiscal Year Ended Jan. 27, 1968* (48 weeks)
Restated net sales and operating revenues on a fully comparable basis**	$405,752,623	$340,966,344
Actual net sales and operating revenues per financial statements	$405,752,623	$313,327,958
Earnings		
Earnings before extraordinary item	$ 3,281,898	$ 2,485,029
Extraordinary item, net	$ 519,998	—
Net earnings	$ 3,801,896	$ 2,485,029
Per average number of common shares outstanding		
Before extraordinary item	$ 2.15	$ 1.64
Extraordinary item, net	$ .34	—
Net earnings	$ 2.49	$ 1.64
Number of shares outstanding at year-end	1,535,398	1,522,348
Dividends per common share	$ 1.00	$ 1.00
Net working capital	$ 17,503,909	$ 17,731,051
Ratio of current assets to current liabilities	1.74 to 1	1.81 to 1
Book value per common share	$ 22.06	$ 20.58

*The fiscal year of the Corporation was changed to conform with that of the parent company. Consequently, the year ended January 27, 1968, included 48 weeks versus 52 weeks in the current year.

**Restated on a comparable basis to exclude sales of operations disposed of in Denver and for like periods of 52 weeks.

To our shareholders and employees:

I am pleased to report that both sales and earnings for the fiscal year ended January 25, 1969 reached record highs.

Sales and operating revenues exceeded $400 million for the first time—a significant milestone in our growth—and increased 19% on a fully comparable basis. The dramatic increase was achieved primarily by an aggressive and innovative sales promotion campaign stressing lower prices to the consumer with continued high quality of services.

Consolidated net earnings before extraordinary income amounted to $2.15 per share despite rising costs and the surtax enacted in 1968. The surtax reduced earnings by 19 cents a share. The gain on the sale of the radio stations produced extraordinary income of 34 cents per share, resulting in total earnings for the year of $2.49 per share. The record earnings were the result of the sales increase along with rigid expense control and the expanded use of electronic data processing.

Quarterly dividend payments continued at the rate of 25 cents per share. Cash dividends on common stock have been paid every year since 1933.

Continuing our commitment to modern merchandising, 35 Red Owl stores were remodeled and one Red Owl and one Snyder drug unit were replaced by a new and larger store. Four Red Owl stores were also substantially increased in size. In addition, the Company continued to expand by acquiring the four Gershgol stores in Duluth and adding two drug units, one Red Owl and one Foodtown store.

Frozen food facilities adjacent to our warehouses in Hopkins, Green Bay and Fargo have either been completed or are in the final stages of construction. The new facilities will incorporate the most advanced techniques of frozen food storage and multiple order conveyor selection methods. We believe these installations will result in substantial savings to the Company by reducing handling costs and outside storage.

Since the number of publicly held shares of the Company's stock did not meet the minimum requirements for continued listing on the New York Stock Exchange, the Exchange delisted the stock late in the fiscal year. An application for trading the Company's stock on the national over-the-counter market is currently pending. It is anticipated that the application will be acted upon in the near future.

Results to date in the new fiscal year are encouraging. The outlook for the food industry and our Company in the year ahead, both as to sales and earnings, is very favorable.

On behalf of the officers and directors of the Company, I extend to you our appreciation for your loyalty and support.

James A. Watson

JAMES A. WATSON
President

Review of the year's Operations

(The current year's operation included 52 weeks. However, the fiscal year of the corporation was changed in the previous year, which resulted in 48 weeks of operation for the period ended January 27, 1968.)

Sales and Operating Revenues

Actual sales and operating revenues for the fiscal year ended January 25, 1969 amounted to $405,752,623 compared with $313,327,958 for the prior year's 48 weeks. On a fully comparable basis, sales and operating revenues were up 19% over the prior similar period.

The sales of existing stores have shown considerable improvement and stores opened or acquired during the year have also exceeded budgeted goals.

Sales have more than doubled since 1959 and with the increase the past year evidence an accelerated rate of growth.

Consolidated Net Earnings

Consolidated net earnings after taxes and before extraordinary income amounted to $3,281,898, or $2.15 per share based on an average of 1,529,070 shares outstanding during the year. For the prior fiscal year (48 weeks), earnings were $2,485,029, equivalent to $1.64 per share on the 1,519,770 average shares then outstanding.

The extraordinary income of $519,998, or 34 cents per share, represents the gain on the sale of the radio stations which were sold in compliance with a Federal Communications Commission order. Total earnings for the year thus amounted to $3,801,896, or $2.49 per share.

Rising product and labor costs and increased taxes were offset by tight expense control in all areas and new uses of electronic data processing described under "INFORMATION SERVICES."

Dividends

Dividends were paid quarterly at the rate of 25 cents per share. The fourth quarter dividend was paid on February 15, following year-end, and has been reflected in the financial statements.

Financial Data

At year-end, net working capital amounted to $17,503,909 against $17,731,051 at the close of the previous fiscal year. The current ratio was 1.74 to 1 versus 1.81 to 1 a year earlier. Long-term debt, however was reduced $2,045,105 during the year.

Expenditures for fixtures, equipment and leasehold improvements amounted to $3,959,168 of which $2,781,206 was provided by depreciation and amortization.

Expansion

During the year the Company acquired the stock of Gershgol's Economy Markets, Inc., which operated four stores in Duluth. One new unit was also acquired in Wisconsin, another Foodtown store opened in Kansas, and a Family Center store replaced a supermarket in Bismarck, North Dakota. The Grand Forks store was considerably enlarged and converted to a Family Center early in the year, and three other stores were also increased in size. Family Centers have shown considerable success and more are planned. Three new drug stores were opened, one of which replaced an existing outlet. Emphasis was directed, too, towards the remodeling of highly successful units.

In order that Red Owl can fully capitalize on the tremendous consumer demands for frozen food products, construction began on major additions to three warehouses. The Hopkins addition is completed and it is expected that the Green Bay and Fargo additions will be in operation in the near future.

Aggressive Merchandising Continues

The Company continued aggressive sales promotion and advertising. The "Price Rebellion™" and "market break" promotions were introduced throughout the chain and proved to be especially effective sales builders. Further vigorous merchandising programs are planned for the future.

Perishable departments also received consider-

able attention. The variety of frozen foods, dairy items and bakery goods were expanded and new equipment to merchandise these products added. Of particular significance was the conversion of many Red Owl brand bakery products to the "Heinemann Kitchens" label, a name acquired in 1966. Red Owl's own bakeries, however, continue to furnish these high quality goods.

Franchise Division Grows

The Franchise Division continued to make a substantial contribution to sales and earnings and produced an excellent return on investment. The "base-plus" product pricing system now in effect has proved highly successful for both the operators and the Company and has been responsible for attracting many larger operators. Franchising operators in the same metropolitan area as corporate stores has also proved advantageous, and further co-existence is contemplated. Further expansion in all areas is also planned as rapidly as good operators can be secured.

Management Changes

As of February 28, 1969, Mr. Ford Bell retired from service as Honorary Chairman of the Board after having served the Company in various capacities for 43 years. Mr. T. R. Anderson also resigned from the Board of Directors on the same date.

At the annual meeting of the shareholders, Neil Elkey, Vice President, Franchise Division, was added as a Board member. During the year the Board elected Willard J. Carlson, Vice President, Labor Relations; Craig K. Kessel, Vice President, Personnel; and Glenn R. Anderson, Vice President, Distribution and Manufacturing. William C. Ferril, Controller, was also elected Treasurer. On February 28, 1969, Mr. James A. Watson, President, was also elected Chairman of the Board, and Messrs. Anderson, Ferril and James E. Gottlieb, also a Vice President of Red Owl, were elected to fill vacancies then existing on the Board of Directors.

New Employee Benefit Program Announced

After considerable study, the Company adopted a new employee benefit package which went into effect at the beginning of the new fiscal year and included life and health insurance, travel accident coverage, disability benefits, retirement pension and a thrift/sharing plan. Management recognizes the importance of good employee relations and believes this program will help to attract and hold competent, high-quality personnel.

Information Services

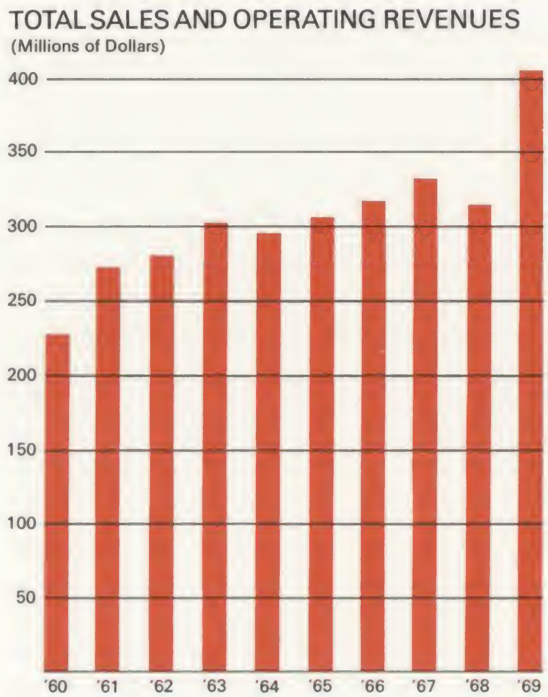
The Department of Information Services has experienced a marked expansion of electronic data processing in the past year. In addition to the normal applications of payroll, inventory management and accounting, new quantitative techniques have been developed to assist in management decisions. These new techniques involve the installation of computer systems to analyze competitive pricing, labor scheduling and mechanized freezer control. Studies are also under way to develop store-to-computer transmission of orders, truck fleet scheduling and simulation of operating environments.

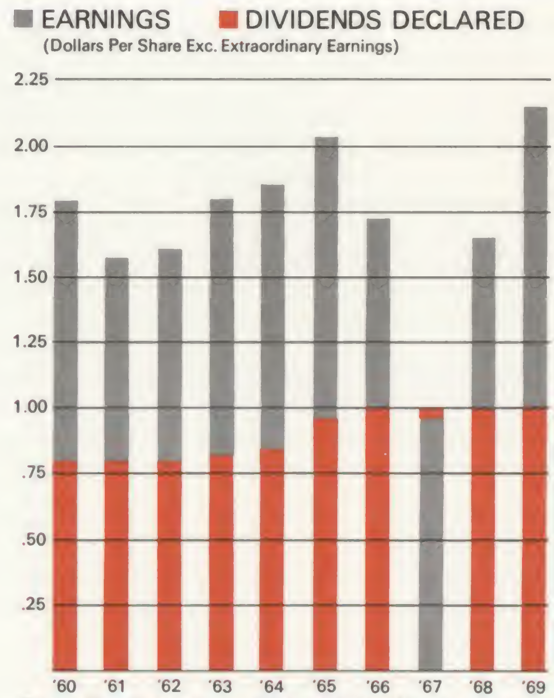
Looking Ahead

The outlook for the retail food industry is extremely encouraging. To continue our growth, 350,000 square feet of new store space is planned for the coming year. In addition, a meat commissary and delicatessen operation is on the drawing boards and is expected to be under construction before the year's end. To combat rising costs, management will also continue its efforts to find more efficiencies and develop new merchandising techniques.

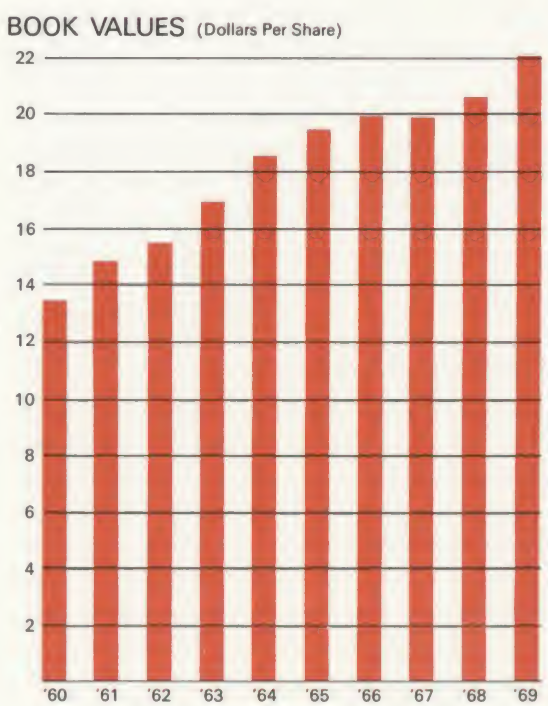
Comparison of sales and operating revenues,

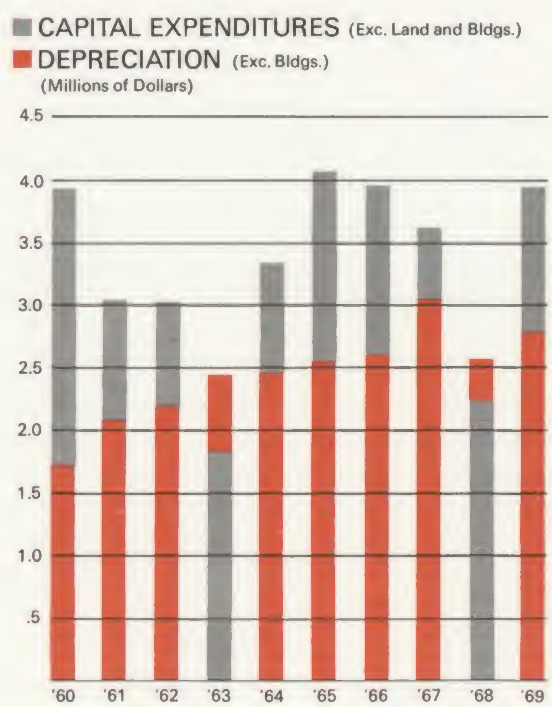
earnings per share, dividends,
book values, capital expenditures and depreciation





(Extraordinary items accounted for an additional 5 cents per share in 1967 and 34 cents in 1969)





RED OWL STORES, INC. AND SUBSIDIARIES

STATEMENT of CONSOLIDATED OPERATIONS and RETAINED EARNINGS

52 weeks ended January 25, 1969 with comparative figures for the 48 weeks ended January 27, 1968

	52 weeks ended Jan. 25, 1969	48 weeks ended Jan. 27, 1968
Net sales and operating revenues	$405,752,623	$313,327,958
Costs and operating expenses:		
Cost of goods sold, including warehousing and transportation expenses	332,687,802	255,390,286
Selling, general and administrative and other operating expenses	65,287,808	52,214,440
Total costs and operating expenses	397,975,610	307,604,726
Operating earnings	7,777,013	5,723,232
Other deductions (income)—net:		
Interest	938,460	908,766
Miscellaneous deductions	242,121	188,585
Loss (gain) on disposal of property and equipment—net	(11,408)	127,387
Miscellaneous income	(317,058)	(221,535)
Total other deductions (income)—net	852,115	1,003,203
Earnings before income taxes and extraordinary item	6,924,898	4,720,029
Federal and State income taxes (note 4):		
Current	3,599,235	2,227,701
Deferred	43,765	7,299
	3,643,000	2,235,000
Earnings before extraordinary item	3,281,898	2,485,029
Extraordinary item—gain on sale of net assets of radio stations, net of income taxes, $307,000	519,998	—
Net earnings	3,801,896	2,485,029
Retained earnings at beginning of year—unappropriated	20,083,863	19,119,807
	23,885,759	21,604,836
Deduct dividends on Red Owl Stores, Inc. common stock—$1.00 per share	1,531,479	1,520,973
Retained earnings at end of year:		
Unappropriated (note 5)	22,354,280	20,083,863
Appropriated for possible future inventory losses	285,000	285,000
Total at end of year	$ 22,639,280	$ 20,368,863
Per share of common stock:		
Earnings before extraordinary item	$ 2.15	$ 1.64
Extraordinary item, net of income taxes	.34	—
Net earnings	$ 2.49	$ 1.64

See accompanying notes to consolidated financial statements.

RED OWL STORES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

January 25, 1969 with comparative figures for January 27, 1968

	Jan. 25, 1969	Jan. 27, 1968
ASSETS:		
Current assets:		
Cash	$ 3,749,813	$ 4,524,868
Accounts and notes receivable, less allowance for doubtful receivables, $124,220 ($103,022 in 1968)	3,136,257	2,688,630
Merchandise inventories (note 2)	32,470,366	30,028,683
Prepaid expenses	1,677,216	1,431,544
Properties subsequently sold	—	837,277
Total current assets	41,033,652	39,511,002
Receivables due after one year and miscellaneous investments	2,014,669	2,087,831
Property, plant and equipment, at cost less depreciation and amortization (note 3)	24,915,951	23,060,783
Deferred charges	1,151,486	860,773
Excess of cost over net assets of consolidated subsidiaries	106,833	293,195
Radio licenses and network contracts, at cost	—	1,129,438
	$ 69,222,591	$ 66,943,022
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current instalments of long-term debt	$ 1,143,620	$ 1,354,283
Accounts payable	15,414,143	14,281,490
Accrued expenses	4,753,437	3,683,400
Federal and State income taxes (note 4)	1,834,693	2,080,191
Dividends payable	383,850	380,587
Total current liabilities	23,529,743	21,779,951
Deferred income taxes (note 4)	1,837,437	1,793,672
Long-term debt, less current instalments included above (note 5)	9,990,327	12,035,432
Stockholders' equity:		
Preferred stock—par value $100 per share. Authorized 50,000 shares; none issued	—	—
Common stock—no par value, stated value $1.50 per share. Authorized 3,000,000 shares; issued 1,671,238 shares (1,658,188 in 1968) (note 6)	2,506,857	2,487,282
Additional amounts paid in by stockholders (note 7)	11,718,852	11,477,727
Retained earnings (note 5), per accompanying statement	22,639,280	20,368,863
	36,864,989	34,333,872
Less cost of 135,840 shares of common stock held in treasury	2,999,905	2,999,905
Total stockholders' equity	33,865,084	31,333,967
Commitments (note 8)		
	$ 69,222,591	$ 66,943,022

See accompanying notes to consolidated financial statements.

RED OWL STORES, INC. AND SUBSIDIARIES

STATEMENT of SOURCE and USE of CONSOLIDATED FUNDS

52 weeks ended January 25, 1969 with comparative figures for the 48 weeks ended January 27, 1968

	52 Weeks ended Jan. 25, 1969	48 Weeks ended Jan. 27, 1968
Funds provided from:		
Net earnings, including extraordinary item in 1969	$ 3,801,896	$ 2,485,029
Depreciation and amortization of property	3,094,486	2,926,376
Income taxes deferred—net	43,765	7,299
Other non-fund charges	427,175	329,251
Total from operations	7,367,322	5,747,955
Additional long-term debt	1,031,000	2,036,000
Net assets of radio stations sold, less net current assets, $11,925	1,977,597	—
Sales and exchanges of common stock	260,700	153,538
	$ 10,636,619	$ 7,937,493
Funds used for:		
Property, plant and equipment additions—net:		
Land and buildings	$ 2,607,916	$ 1,902,893
Fixtures, equipment and leasehold improvements	3,885,161	2,254,202
Less net book value of dispositions	(936,303)	(3,778,072)
	5,556,774	379,023
Cash dividends on common stock	1,531,479	1,520,973
Reduction of non-current portion of long-term debt, including debenture conversions	3,047,433	6,435,130
Purchase of business, less net current assets acquired, $719,091	147,807	—
Increase in other assets—net	580,268	807,680
Decrease in working capital	(227,142)	(1,205,313)
	$ 10,636,619	$ 7,937,493

See accompanying notes to consolidated financial statements.

RED OWL STORES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 25, 1969

Note 1.

The accompanying consolidated financial statements include the accounts of the Company and all active subsidiaries. The comparative statement of consolidated operations and retained earnings and statement of source and use of consolidated funds for 1968 cover only 48 weeks due to a change in fiscal year. Gamble-Skogmo, Inc. currently owns approximately 80% of the Company's outstanding common stock.

Note 2.

Merchandise inventories of dry groceries in the Company's retail stores are valued at the lower of cost or market generally determined by the retail inventory method; merchandise inventories in drug and grocery stores of subsidiaries are valued at the lower of cost or market at various dates during the last three months of the fiscal year, adjusted for transactions to January 25, 1969 on the basis of gross profit percentages; warehouse and other inventories are valued at the lower cost (first-in, first-out or average) or replacement market. Details of merchandise inventories are as follows:

	Jan. 25, 1969	Jan. 27, 1968
Retail stores	$15,830,893	$13,648,348
Warehouses	15,563,730	15,015,240
Other and in transit	1,075,743	1,365,095
	$32,470,366	$30,028,683

Note 3.

Property, plant and equipment, at cost less depreciation and amortization are summarized as follows:

	Jan. 25, 1969	Jan. 27, 1968
Land	$ 1,847,172	$ 1,503,940
Buildings	9,409,615	9,184,043
Furniture, fixtures and equipment	26,987,968	25,680,963
Automotive equipment	4,108,455	3,990,839
Leasehold improvements, less amortization	1,640,839	1,675,739
Construction in progress and property held for sale	2,279,217	913,973
	46,273,266	42,949,497
Less accumulated straight-line depreciation	21,357,315	19,888,714
	$24,915,951	$23,060,783

Note 4.

Current Federal income taxes of the Company and its subsidiaries have been computed substantially on a separate-return basis, although taxable income of the Company and subsidiaries for a portion of the year will be included in a consolidated Federal income tax return of Gamble-Skogmo, Inc. and its subsidiaries. Accordingly, the liability for Federal income taxes in the accompanying balance sheet includes approximately $1,420,000 payable to Gamble-Skogmo, Inc. in lieu of Federal income tax payments.

Deferred income taxes represent net additional taxes applicable to major timing differences between taxable income and pretax accounting income.

The investment tax credit applied in reduction of the provision for Federal income taxes was $168,757 in 1969 and $90,832 in 1968.

Note 5.
Long-term debt and related restrictions are summarized as follows:

Red Owl Stores, Inc.:	
5½% and 5¾% notes due in 1972 and 1975	$ 3,450,000
4¾% convertible subordinated debentures due in 1978	99,000
7¼% contract for deed	350,000
Foodtown Stores, Inc.:	
5¾% note due in 1980	632,000
Lease-purchase obligation	438,083
Other	113,263
Intercorporate Finance, Inc.:	
5½% and 6% notes due in 1971 and 1972	1,640,000
Wholly-owned realty subsidiaries:	
4½% to 7⅛% mortgage notes due in 1975 through 1994	2,555,301
4% to 4¾% sinking fund mortgage bonds due in 1969 through 1982	1,856,300
	11,133,947
Less current instalments	1,143,620
	$ 9,990,327

The Company has a revolving credit agreement which provides for loans from Gamble-Skogmo, Inc. up to $7,000,000 through December 19, 1971, with interest related to the prime rate.

Aggregate annual maturities and sinking fund requirements in the five fiscal years subsequent to 1970 are as follows: 1971, $1,467,560; 1972, $2,616,322; 1973, $1,107,222; 1974, $748,723; 1975, $837,108.

The 4¾% subordinated debentures are convertible into shares of the Company's common stock at $16⅔ per share, subject to adjustment under certain conditions.

Restrictions on payment of dividends (except stock dividends) and purchase, redemption or retirement of capital stock are imposed by the terms of agreements relating to the Company's outstanding long-term debt. Retained earnings at January 25, 1969 free from restrictions, based on working capital and retained earnings requirements under the most restrictive of the agreements, amounted to approximately $724,000.

Note 6.
Of the authorized common stock, 5,940 shares are reserved for issuance upon conversion of the 4¾% subordinated debentures, 29,440 shares are reserved for issuance upon exercise of options granted under the Employees' Restricted Stock Option Plan and the Employees' Qualified Stock Option Plan and 3,940 shares remain available for granting of future options under the latter plan.

Under the qualified plan, options are granted at not less than 100% (95% under restricted plan) of market value at dates granted and become exercisable over a period of four years (five years under restricted plan) commencing one year after dates granted. All options expire, subject to earlier expiration in the event of termination of employment, if not exercised within five years (six years under restricted plan) of dates granted. Outstanding options have been granted at prices ranging from $18.75 to $27.25 per

share; at dates of grant, shares under option had an aggregate market value of $700,843; an average of $23.80 per share. Changes during the year in stock options held by key employees are summarized as follows:

	Options granted		Options exercisable	
	Shares	Amount	Shares	Amount
Balance at beginning of year	25,425	$531,419	18,430	$386,843
Granted or became exercisable	17,900	449,400	3,332	71,544
Exercised	(11,970)	(242,878)	(11,970)	(242,878)
Cancelled or expired	(1,915)	(38,029)	(1,540)	(30,997)
Balance at end of year	29,440	$699,912	8,252	$184,512

Potential future dilution of earnings per share arising from exercise of employee stock options and conversion of debentures is not considered material.

Note 7.

Additional amounts paid in by stockholders during the year aggregated $241,125, as follows: excess of amounts paid in over stated value of 11,970 shares of common stock issued upon exercise of employees' stock options, $224,923; excess of conversion price over stated value of 1,080 shares of common stock issued on conversion of 4¾% subordinated debentures, $16,202, net of unamortized debenture issuance expenses.

Note 8.

The companies lease 317 store and warehouse properties under leases expiring through fiscal year 1989. Minimum rentals required by leases in effect for fiscal year 1970, excluding taxes, insurance and maintenance costs payable by the companies, are $5,733,164 (including $1,300,405 applicable to 92 properties sub-let to agency operators and others). Minimum rentals on such leases subsequent to 1970 are as follows:

1971	$ 5,549,871
1972	5,277,697
1973	4,938,723
1974	4,453,223
1975-1979	15,569,210
1980-1984	4,914,367
After 1984	827,462

In addition, the companies have entered into agreements to lease store properties at new locations for initial periods of 6 to 20 years at minimum annual rentals which will aggregate approximately $396,000.

Note 9.

The Company and its subsidiaries have non-contributory, funded pension plans covering all regular full-time employees, other than employees covered by labor-management plans. The total pension expense for 1969 and 1968, excluding expense of labor-management plans, was $590,154 and $527,860, respectively, which includes, as to certain of the plans, amortization of prior service cost over a 30 year period. The actuarially computed value of vested benefits is fully funded. Effective January 25, 1969 the plans were amended to comply with the provisions and became part of the Gamble-Skogmo, Inc. and subsidiaries pension plan.

Interior view of the recently-completed 40,000 sq. ft. mechanized frozen food facility located adjacent to the main warehouse and office complex at Hopkins, Minn.

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

MIDWEST PLAZA BUILDING

MINNEAPOLIS, MINNESOTA 55402

The Board of Directors and Shareholders
Red Owl Stores, Inc:

We have examined the consolidated balance sheet of Red Owl Stores, Inc. and subsidiaries as of January 25, 1969 and the related statement of consolidated operations and retained earnings and the statement of source and use of consolidated funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated operations and retained earnings present fairly the financial position of Red Owl Stores, Inc. and subsidiaries at January 25, 1969, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period. Also, in our opinion, the accompanying statement of source and use of consolidated funds for the year ended January 25, 1969 presents fairly the information shown therein.

March 21, 1969

Peat, Marwick, Mitchell & Co.

How the sales dollar was divided...

Ten Year Comparative Figures

FISCAL YEAR ENDED IN	1969	1968	1967
(000's omitted) New sales and operating revenues	**$405,753**	$313,328	$337,483
(000's omitted)			
Earnings before extraordinary items	**3,282**	2,485	1,452
Extraordinary items, net	**520**	—	78
Net earnings for year	**3,802**	2,485	1,530
Dividends on common stock	**1,531**	1,521	1,533
Net earnings for year retained in business	**2,271**	964	(3)
Per average number of common shares outstanding:			
Earnings before extraordinary items	**2.15**	1.64	.95
Extraordinary items, net	**.34**	—	.05
Net earnings	**2.49**	1.64	1.00
Dividends per common share	**1.00**	1.00	1.00
Net working capital (000's omitted)	**17,504**	17,731	18,936
Ratio of current assets to current liabilities	**1.74 to 1**	1.81 to 1	2.01 to 1
Stockholders' equity (000's omitted)	**33,865**	31,334	30,216
Common shares outstanding	**1,535,398**	1,522,348	1,513,028
Book value per common share	**22.06**	20.58	19.97
Number of common shareholders	**2,253**	2,286	5,270
Number of stores at close of year:			
Retail (including drug)	**224**	217	235
Agency and Wholesale**	**274**	278	494
Total sq. ft. retail stores	**2,853,081**	2,697,541	2,912,260
Number of employees (including part-time)	**9,200**	8,800	8,400

*Figures have been adjusted to reflect retroactive application of a special credit in 1961.

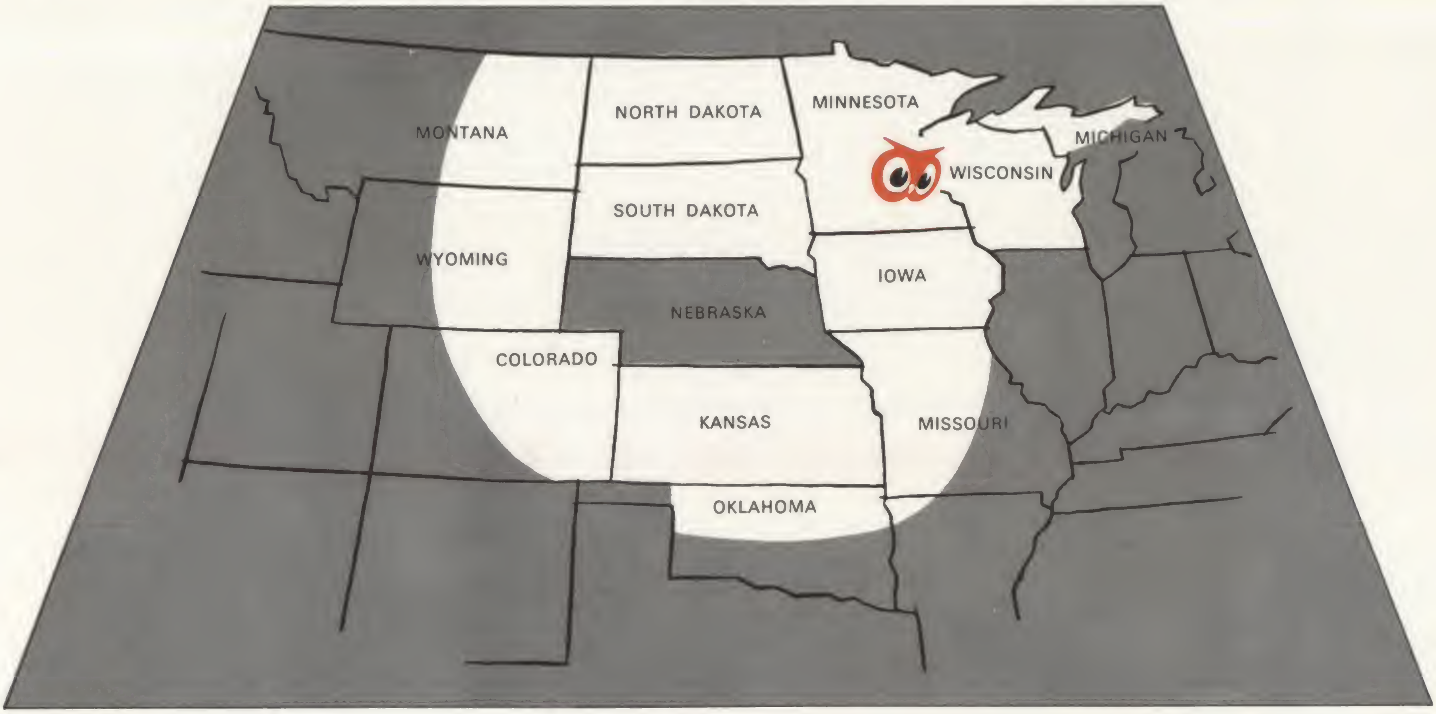
**1968 Reflects disposition of Denver wholesale accounts.

NOTES: Comparative figures have been adjusted, where applicable, for the two-for-one stock distribution on March 22, 1963, to holders of record on March 15, 1963.

Due to change in fiscal year-end, 1968 covers a 48-week period.

Competitive awareness is assured by our retail price analysis system. (Left to right) James A. Watson, President, William C. Ferril, Treasurer and Controller, and F. T. Biermeier, Director of Information Services.

1966	1965	1964	1963	1962	1961	1960
$315,524	$304,924	$296,475	$300,247	$279,188	$274,592	$226,589
2,595	3,042	2,768	2,653	2,374	2,248	2,352*
—	—	—	—	—	—	—
2,595	3,042	2,768	2,653	2,374	2,248	2,352*
1,492	1,419	1,350	1,217	1,110	1,078	1,048
1,103	1,623	1,418	1,436	1,263	1,170*	1,304*
1.74	2.04	1.85	1.80	1.71	1.67	1.80*
—	—	—	—	—	—	—
1.74	2.04	1.85	1.80	1.71	1.67	1.80*
1.00	.95	.90	.82½	.80	.80	.80
14,881	16,226	16,322	18,356	14,918	13,172	12,388
1.75 to 1	1.92 to 1	1.95 to 1	2.18 to 1	2.08 to 1	2.13 to 1	1.97 to 1
29,604	28,745	27,073	26,148	22,146	20,214	18,247
1,481,476	1,491,681	1,480,221	1,498,106	1,404,266	1,363,732	1,330,232
19.98	19.27	18.29	17.45	15.77	14.82	13.72
4,501	4,123	4,249	4,182	4,078	4,183	4,290
207	204	195	195	172	166	163
484	474	454	450	426	423	439
2,583,209	2,510,275	2,324,218	2,340,341	2,076,306	1,931,107	1,815,422
8,025	7,850	7,600	7,700	7,400	7,000	6,100



Area Served by Red Owl *(except shaded area) and facilities*

	Iowa	Mich.	Minn.	Mont.	N.Dak.	S.Dak.	Wis.	Wyo.	Colo.	Kans.	Mo.	Okla.	TOTAL
Corporate Stores	2	9	81	1	18	9	37	1	5	18	9	1	**191**
Agency Accounts	11	15	114		39	32	63						**274**
Drug Stores			30				3						**33**
Principal Warehouses			2		1		1			1			**5**

Directors

GLENN R. ANDERSON, Vice President, Red Owl Stores, Inc.
ALF L. BERGERUD, Of Counsel: Cant, Haverstock, Gray, Plant & Mooty
LLOYD D. BERKUS, President, Snyder's Drug Stores, Inc.
LOUIS E. DOLAN, Executive Vice President and Secretary, Gamble-Skogmo, Inc.
NEIL R. ELKEY, Vice President, Red Owl Stores, Inc.
WILLIAM C. FERRIL, Treasurer and Controller, Red Owl Stores, Inc.
BERTIN C. GAMBLE, Chairman of the Board and Chief Executive Officer, Gamble-Skogmo, Inc.
J. PHILIP GOAN, President, Sveden House International, Inc.
JAMES E. GOTTLIEB, Vice President, Red Owl Stores, Inc. and Vice President, Gamble-Skogmo, Inc.
ARTHUR G. JOHNSON, Executive Vice President, Gamble-Skogmo, Inc.
CARL C. RAUGUST, President, Gamble-Skogmo, Inc.
L. W. RIXE, Vice President, Gamble-Skogmo, Inc.
JAMES A. WATSON, President and Chairman of the Board, Red Owl Stores, Inc.
JAMES H. WILLE, Executive Vice President, Red Owl Stores, Inc.

Officers

JAMES A. WATSON, President and Chairman of the Board
JAMES H. WILLE, Executive Vice President, Retail Operations, Procurement, Advertising and Merchandising
GLENN R. ANDERSON, Vice President, Distribution and Manufacturing
WILLARD J. CARLSON, Vice President, Labor Relations
NEIL R. ELKEY, Vice President, Franchise Division
JAMES E. GOTTLIEB, Vice President, Real Estate
CRAIG K. KESSEL, Vice President, Personnel
JOSEPH T. SYDNESS, Secretary
WILLIAM C. FERRIL, Treasurer and Controller
CLAYTON C. RADUE, Assistant Vice President, Retail Operations
FRANK L. WALKER, Assistant Vice President, Franchise Division
RICHARD C. JOHNSON, Assistant Secretary and General Counsel
ORVILLE G. MCDONALD, Assistant Treasurer and Analyst, Retail Operations

RED OWL STORES INC. / SUBSIDIARY OF **GAMBLE SKOGMO INC.**

For more information about the activities and policies of Red Owl Stores, write to . . . RED OWL STORES, INC., HOPKINS, MINNESOTA, EXECUTIVE OFFICES: *215 E. Excelsior Avenue, Hopkins, Minnesota.* MAILING ADDRESS: *Post Office Box 329, Minneapolis, Minnesota 55440.* STOCK TRANSFER AGENTS: *Northwestern National Bank of Minneapolis, Bankers Trust Company of New York.* REGISTRARS: *First National Bank of Minneapolis, Morgan Guaranty Trust Company of New York.* AUDITORS: *Peat, Marwick, Mitchell & Co.*